

JPRS 77549

10 March 1981

USSR Report

ECONOMIC AFFAIRS

No. 952



FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service (NTIS), Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semimonthly by the NTIS, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Indexes to this report (by keyword, author, personal names, title and series) are available through Bell & Howell, Old Mansfield Road, Wooster, Ohio, 44691.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

Soviet books and journal articles displaying a copyright notice are reproduced and sold by NTIS with permission of the copyright agency of the Soviet Union. Permission for further reproduction must be obtained from copyright owner.

10 March 1981

USSR REPORT ECONOMIC AFFAIRS

No. 952

CONTENTS

PLANNING AND PLAN IMPLEMENTATION

- Bachurin Discusses Planning, Incentives
(Aleksandr Vasil'yevich Buchurin; EKONOMICHESKAYA GAZETA,
Jan 81)..... 1

INVESTMENT, PRICES, BUDGET AND FINANCE

- Financing Factor in Industrial Development Explained
(P. N. Zhevtyak; FINANSY SSSR, Nov 80)..... 7
- Reexamination of Labor Inputs, Prices Underway
(Yu. Borozdin; PLANOVOYE KHOZYAYSTVO, Nov 80)..... 14

INDUSTRIAL DEVELOPMENT AND PERFORMANCE

- Economist Discusses Production Associations
(Yu. Subotskiy; PLANOVOYE KHOZYAYSTVO, Nov 80)..... 25

REGIONAL DEVELOPMENT

- Tatar ASSR Gosplan Chairman Discusses Development
(V. Yermakov; PLANOVOYE KHOZYAYSTVO, Dec 80)..... 37

PLANNING AND PLAN IMPLEMENTATION

BACHURIN DISCUSSES PLANNING, INCENTIVES

Moscow EKONOMICHESKAYA GAZETA in Russian No 1, Jan 81 p 2

[Article by Deputy Chairman of Gosplan USSR Aleksandr Vasil'yevich Buchurin: "The New Methods of Management in Operation"]

[Text] The CPSU Central Committee plan "Basic Directions of the Economic and Social Development of the USSR in the 1981-85 Period and the Period up to 1990" sets up the tasks of incorporating in the 11th Five-Year Plan a complex of measures worked out for improving the economic mechanism and intensifying its impact on stepping up effectiveness and quality. The subject of how these measures are being implemented is discussed by Deputy Chairman of Gosplan USSR Aleksandr Vasil'yevich Bachurin, chairman of the Gosplan Interdepartmental Commission on Application of New Methods of Financing and Economic Motivation.

In his speech at the October (1980) plenum of the CPSU Central Committee L. I. Brezhnev took special note of the need for a consistent and decisive implementation of the decrees already adopted on the subject of management--among them the important decree of 12 July 1979 concerning improvement of the economic mechanism.

In the past year and a half Gosplan USSR and other departments approved more than 80 normative documents, most of which were published in EKONOMICHESKAYA GAZETA. The planning was enriched by the new statutes concerning the preparation of a system of long-term, five-year, and yearly material, cost, and labor balance sheets. This work is continuing. In preparation is a system of progressive norms and normatives which will have great importance for increasing the scientific validity of the state plans. In November 1980 the CPSU Central Committee and the USSR Council of Ministers adopted a decree on "Improvement of the Planning and Economic Incentive for the Production and Procurement of Agricultural Products." Measures are being worked out for improving the planning and economic motivation in transport.

For the development and strengthening of economic accounting it would be hard to overestimate the importance of the soon to be completed preparation of new wholesale prices in industry. They will be introduced on 1 January 1982 and they will

take fuller cognizance of the socially necessary expenditures and the consumer properties of the output.

New Indicators in the 1981 Plan

The beginning of implementation of a number of provisions of the 12 July 1979 decree dates back to the time of the 1960 plan. The 1981 plan was a new step on the path to implementation of the party and government decisions on improvement of the economic mechanism. The plan was prepared early and was approved by the USSR Council of Ministers on 30 September 1980, which made it possible to get the plan to the enterprises 1 1/2-2 months before the beginning of the planned period. The plan for the 11th Five-Year Plan is being compiled in light of all the new methodological directives to be introduced in accordance with the decisions concerning improvement of the economic mechanism.

Because of the special importance of the normative net output, Gosplan USSR, by a decree of 12 June 1980, established specific time limits for the transition to its use by the appropriate ministries. The price lists set up for the first time norms for net output, a prerequisite for the extensive use of an indicator for normative net output in industry.

It will be recalled that the indicator for normative net output [NchP] was first used in 1973 in 45 enterprises of seven ministries. Beginning at this time experimental use of the NchP was expanded from year to year and by the time of the adoption of the decree on improvement of the economic mechanism it was already in use at more than 300 enterprises; by the end of 1980 it had been adopted by more than 2,000 enterprises belonging to 22 ministries, including all the enterprises of Mintyazhmash [Ministry of Heavy Machine Building], Minenergomash [Ministry of Power Machine Building], Minlegpishchemash [Ministry of Machine Building for Light and Food Industry], and Glavmospromstroymaterialy [Main Administration of the Building Materials Industry of the Moscow Gorispolkom].

In 1981 the NchP will obtain a wide-ranging "visa" in all the enterprises of Minshivmash [Ministry of Livestock Breeding Machinery] and also in a number of industrial associations of other ministries and departments. In 1982 there will be largely completed the introduction of normative net output in the sectors of the processing industry. This will be furthered by approval of the net output norms simultaneously with the wholesale price lists to go into effect on 1 January 1982.

The NchP assignments can be applied not only to the ministries, departments, associations and enterprises but also to the intraplant subdivisions, including the brigades. This is a fact of great importance for improving the wage system and the planning of labor productivity.

A great deal has already been done by way of improving the planning of indicators pertaining to labor. The use of the indicator "Norm of wages per ruble of output" in place of the absolute wage fund is gradually being expanded and in 1981 this type of norm is already established for 18 ministries. And in the five-year period it will also be established for the other ministries. Beginning with the 1980 plan, limits are being approved for the number of workers and employees. The plan for the 11th Five-Year Plan period will again include approval of an assignment for curtailing the use of manual labor.

The plan for the introduction of new technology now provides for assignments calling for the putting into production of new types of output in the newly introduced capacities. This procedure will undoubtedly help to produce in the new enterprises output which conforms to the most advanced achievements.

In the near future the finishing touches will be put on the work for improvement of the physical yardsticks to be used in planning. New yardsticks in physical terms have now been introduced for 38 types of machine building output and in process is approval for a products list of complete sets of technological equipment, industrial lines, and installations and machine units, for all of which compilation of a plan of production and deliveries is also in progress.

Also established is a new procedure for generating economic incentive funds which strengthen the collectives' motivation for the growth of labor productivity, the enhancement of output quality, and the stepping up of profit.

Balance Sheets and Plans

Set up to improve the balance-sheet work are products lists, balance sheets, and plans, the distribution of which is being worked out and approved respectively by Gosplan USSR, Gossnab USSR, the Union ministries and departments, and the councils of ministers of the Union republics. Established to go into effect in 1981 are assignments for the proportionate expenditure of metal and other materials. The government determines the reserves of the various types of material resources which will be stipulated in the five-year plan, the object being to insure a proportionate and balanced economic growth.

Optimum balance as between the five-year plans and the yearly plans is achieved when the material balance sheets are compiled for every year of the 11th Five-Year Plan with respect to 409 product types (groups) as compared to 234 in the 10th Five-Year Plan. For the first time there will also be drawn up an output distribution plan with a breakdown by consumers--for 331 types of products. In addition, Gossnab USSR is increasing the number of items on the products list established in the output distribution plan broken down by consumers.

An important factor in achieving plan balance is improvement of the work of preparation of labor balance sheets. It was for this reason that simultaneously with the draft plan for 1981 there was prepared and submitted to the Council of Ministers USSR a consolidated balance sheet of labor resources. As a component of the 1981-85 Five-Year Plan a balance sheet of labor resources will be compiled for each year of the five-year plan both for the country as a whole and for the Union republics and large economic regions.

The Comprehensive Approach

The comprehensive approach and the development of a system of economic, social and scientific-technical programs are important directions for escalating the level of production planning and operational management. In his speech at the October (1980) CPSU Plenum L. I. Brezhnev made reference to the need for extensive use of the method of special-purpose programs in planning. In the coming years the special-purpose program method must be more widely used than it was in the previous five-year plans.

It is through the comprehensive programs that provision is made for an effective coordination of the planning and organizational work of the ministries and departments and the territorial administrative organs. Extensive use of comprehensive programs in long-range planning helps in getting scientific technical achievements more fully incorporated in the plans and provides for a more efficient combination of industry sectorial and territorial methods of planning.

Gosplan USSR has now made a decision to prepare both as part of the plan for the 11th Five-Year Plan and for the long term ahead 15 large comprehensive programs on economic and social problems. Among them we should single out especially the food program, the programs for cutting down the use of manual labor, for increasing production of new consumer goods, for putting into operation a BAM [Baykal-Amur Trunk Line] zone, and for a number of programs to promote economy of material resources. In addition, 40 programs will be worked out to further the important directions of scientific-technical progress and 120 to deal with major technical problems.

Planning of Construction

Particular importance is being attached to the compilation in the 11th Five-Year Plan of a stable capital construction plan balanced for all the types of resources. Such a plan will help to achieve concentration of the necessary material-technical and labor resources in the most important construction projects and installations, elimination of the dissipation of resources among numerous construction projects, and shortening of the time periods for construction and for putting capacities into operation.

It is also necessary within the shortest possible time period to introduce new indicators and incentives which will orient the construction and installation organizations for improvement of the end results of their work. Practical implementation of these measures has already begun. In the 1981 plan, for example, it was possible to provide for the introduction of a number of new statutes in the realm of planning and motivating capital construction. Here are some of them.

In place of volumes, the ministries, departments and councils of ministers of the Union republics have approved limits of state capital investments as a resource indicator defining the maximum amount of the capital investments for capacities and installations planned for putting into operation and for the setting up of stockpiles within which the customers are obliged to confine themselves. In addition, this overall limit of capital investments is the source for the allotment of the outlays for retooling and remodeling of the enterprises.

The costs for technical retooling and remodeling of the existing enterprises are now envisaged as somewhat higher than those in the plan approved for 1980. It should be noted, however, that the ministries and departments are nevertheless not giving sufficient attention to the matter of technical retooling and remodeling of the enterprises.

In 1981 we should see completed the transition to accounts for enterprises which have been fully constructed and turned over for operation, prepared for the production of output or the rendering of services. In construction we have begun to

use indicators of normative fixed net output. Beginning in 1980 they have been used for the first time in Minstroy [Ministry of Construction] of Lithuanian SSR. In 1981 the indicator of fixed net output will be used in Minstroy of Latvian SSR. In 1981 the construction and installation organizations of Minstroy USSR and Minsel'stroy [Ministry of Rural Construction] USSR will carry out on an experimental basis construction charged to bank credits, with delivery of the installations to the customer "under key."

Development of Cost Accounting

Strengthening of cost accounting operation on the basis of the enlarged role of the five-year plans and improvement of the system of economic incentives and penalties is the most important requirement for the development of operational initiative in the labor collectives and for successful fulfillment of the planned assignments.

A great deal has been done in the recent period for the development and strengthening of cost accounting operation. A new procedure has been introduced for the granting of credits to the consumer enterprises for on-schedule payment for output received by them. Now in use are new fund-generating indicators which promote improvement of the end results of the activity. We have increased the role of wholesale prices in the economic motivation for the production of new effective technology and for improvement of the quality of the output. We are developing and improving the brigade form of organization of labor with simultaneous strengthening of the cost accounting incentives. And, finally, we are introducing more progressive forms of wages tied in with the end results of the activity.

In 1981 scientific-research and other organizations of all the industrial ministries (with the exception of Minenergo [Ministry of Power] USSR) will operate under the cost accounting system of organization of the work on the basis of goods and job orders (contracts). The scientific research organizations of 15 ministries were converted to these conditions of operation in 1980 and 13 more beginning 1 January 1981.

The task at present is to pave the way in the near future in all the industrial ministries for a more comprehensive and consistent introduction of the cost accounting methods at all the management levels, including those on the scale of the industry as a whole. This has already been done in Monpribor [Ministry of Instrument Making], Mintyazhmash Minenergomash, Minsel'khoz mash [Ministry of Agricultural Machinery], Minelektrotekhprom [Ministry of Electrical Engineering Industry], and a number of construction ministries as well as a number of motor transport ministries of the Union republics. Provided for as of 1 January is conversion to the normative procedure for the distribution of the profit of Minzhivmash, Minstroydormash [Ministry of Construction and Road Machine Building] and the republic food industry ministries.

I would also like to note that, in accordance with the Basic Directions of the Economic and Social Development of the USSR in the 1981-1985 Period and the Period up to 1990, we will prepare in the 11th Five-Year Plan plans for organizational

and technical measures providing for complete application of all the provisions of the 12 July 1979 decree of the CPSU Central Committee and USSR Council of Ministers, including the provisions for improvement of the organizational structure and the methods of management.

7962

CSO: 1820

INVESTMENT, PRICES, BUDGET AND FINANCE

FINANCING FACTOR IN INDUSTRIAL DEVELOPMENT EXPLAINED

Moscow FINANSY SSSR in Russian No 11, Nov 80 pp 19-22

[Article by Professor P. N. Zhevtyak, doctor of economic sciences: "The Role of Financing in the Intensification of Industrial Production"]

[Text] In accordance with the new decree, financing will play a significantly more important role in the intensification of production. Above all, it has been projected that fiscal and production planning will be further improved through economically motivated coordination of industrial and regional planning on all levels involving economic administration. This would take place vertically from the enterprise and the production association to the sector ministry and USSR Gosplan, and horizontally from the city, oblast (kray) and autonomous and union republic to the central economic bodies charged with the general administration of the country's national economy. What is new in principle and important here is that fact that within the framework of the State Plan for the Economic and Social Development of the USSR a whole system of scientifically based long-range (five-year plan oriented) credit financing plans will be developed for the first time.

This system will be based on indicators of the plan for economic and social development at the corresponding levels of economic administration and on long-range stable economic norms broken down by year. It must also provide for the creation of the necessary monetary reserves. It has now been theoretically proven and completely borne out in practice that these reserves should be created at levels of economic administration, both industrial and territorial. They already exist in sector ministries and, in part, in industrial associations. However, the primary (basic) industrial production units, regardless of the volume of their activity, for all practical purposes have no monetary reserves. Nevertheless, the history of production complexes attests to the need for such reserves: their potential dimensions would be much smaller than the losses and damages incurred from their absences.

In order to give financial plans and balances a stronger scientific base and greater actual influence in advancing the intensification of industrial production, it is most important that all of their indicators and credit financing plans as a whole be optimal. This can be achieved through the use of diversified financial planning with full utilization of the methods of mathematical economics and computer technology,

In this way the development of scientifically based credit financing plans and balances will permit more systematic planning in securing monetary resources for all measures included in the state plans for USSR economic and social development, and will provide associations and enterprises with a more effective stimulus for mobilizing their internal reserves in order to achieve high end results on the national economic level.

A new, progressive and relatively flexible system of standardized profit distribution will increase the active influence of financing on the intensification of industrial production. Beginning with the 11th Five-Year Plan, a standard five-year norm, broken down by year, is being established for placing profits at the disposal of industrial ministries. As the required conditions are created the ministries will extend this system to all the production associations and enterprises. The profit left at the disposal of the economic unit will cover all of its planning needs.

Exactly wherein lie the advantages of the new system of profit distribution? First of all, the associations and ministries become interested in work improvement, inasmuch as the norm-guaranteed increase in the monetary resources at their disposal directly depends on the end results of their activity. Second, the financial responsibility of the associations and ministries to fully carry out the adopted finance plans becomes greater. Third, the associations and ministries become economically motivated to adopt stepped-up production plans for output and profit, since the main part of the above-plan profit goes into the budget whenever the plan is overfulfilled by more than three percent. Fourth, the amount allotted from profits to the budget for covering statewide expenditures becomes better guaranteed than before. Fifth, the new system provides an incentive for improving to a considerable degree the level of industrial and financial planning and for raising the efficiency of managing and handling resources at all points in the industrial production process, since any planning error or failure in performance could be highly damaging. Sixth and last, an optimal ratio in the distribution of profits between the company (the budget) and the administrative body--a central and focal problem in the financial policy of the CPSU and the Soviet state--will actively further the attainment of the main goal of developed socialism. After all, profit is one of the fundamental sources of budgetary income and the main financial base for the cost accounting activities of industrial associations, enterprises and sectors.

An essentially new procedure is being introduced for establishing and utilizing economic stimulation funds (FES) and the united fund for scientific and technical development (EFRNT). The present system does not fully promote the achievement of high end results on the national economic level by associations and individual employees and does not have a sufficiently positive influence on the intensification of industrial production. Fund-forming indicators have actually been converted into fund-adjusting ones.

During the 11th Five-Year Plan the FES will be formed according to standard norms broken down by year, with consideration given to the qualitative indicators of enterprise and association operations. For example, the FMP [Fund for Providing Material Stimulation] will be formed according to computed profit norms and will depend directly on the achievement of the prescribed growth of labor productivity,

the proportion of high-quality products and the plan for the delivery of products according to the contracts. Depending on the characteristics of individual industrial sectors, fund-forming indicators could be as follows: the profitability level, the lowering of production costs, the conservation of material resources, etc. Moreover, it should be emphasized that higher norms will be established for production associations and enterprises that have significantly increased their output of new products and consumer goods or have successfully fulfilled the counter-plans. In 1980, the overall amount for FES from all sources will be 30.6 billion rubles.

The decree grants the associations and enterprises broad rights for using the FED, including the fund for production development (FRP). The resources of the latter will be expended on measures for the technological retooling of production and updating of equipment, as projected and approved by the associations and enterprises themselves.

Through use of the united fund for scientific and technical development, a great deal of attention is being devoted to financial methods for stimulating scientific and technical progress as a major factor in the intensification of production. The fund's resources are earmarked for financing scientific research, experimental design and technological operations; for funding the development and manufacture of new types of products and the introduction of NOT [scientific organization of labor], and for measures to improve production quality. In 1980, more than 20 billion rubles are to be assigned for the development of science, three times more than in 1965.* The EFRNT is to be formed in the ministries through allocations from plan profit according to standardized percentages of net output and also through part of the supplementary profit (amounts over and above the wholesale price) resulting from the achievement of highly efficient production and the output of goods bearing the state Sign of Quality. The EFRNT will get 50 percent of what remains of this profit after the production associations (enterprises), the NII [scientific research institutes] and the project design and engineering organizations have made their allocations to the FES.

The successful completion of the goals set for the country's economic and social development depends to a large extent on a more efficient utilization of fixed capital, industry's working capital and natural resources--that gigantic technological and economic potential of the USSR. By the beginning of 1979, the country's fixed production capital was 1,006 billion rubles, including 479 billion in industry; the corresponding working capital was 381 billion and 125 billion rubles respectively.* However, this potential is not being utilized efficiently enough. For example, the shift coefficient is 1.3, the yield on capital is decreasing in a number of sectors of the national economy, the state goal for increasing the turnover rate of working capital is by no means being fulfilled in all the sectors of industry and natural resources are not always used prudently.

* KOMMUNIST, No 16, 1979, p 24.

* "Narodnoye khozyaystvo SSSR v 1978 g." [The USSR National Economy in 1978], Moscow, Statistika, 1979, pp 41, 521.

The assessment of payments to the funds is changing substantially at the present time. As a rule, its rate has been established at 6 percent, the benefits connected with this payment are being curtailed and payment for above-norm reserves of material assets and uninstalled equipment is being assessed from the profit remaining in the establishment. If the production plans for goods and profit are carried out with the funds costing less than the plan cost, the payment on the payment into the funds stays within the plan, and its budgetary contributions are decreased by this amount.

An increase of the shift coefficient is a major factor for a more efficient utilization of industry's fixed production capital. The goals for the 10th Five-Year Plan were as follows: "to raise the shift coefficient in machine building an average of 20 to 30 percent, to decrease the amount of time that machinery and machine units lie idle, to increase the weekly equipment operation time in sectors with intermittent production patterns and to increase the productivity of this equipment."* It would seem economically warranted to take a second significant step toward further increasing the stimulating role of payments for fixed capital by establishing a scientifically based inversely proportionate ratio between the level of the shift coefficient and the payment norm. In our opinion this would impel the associations and enterprises to successfully enact the overall target program provided by the new decree for the 11th Five-Year Plan, i.e. to curtail the use of manual labor. Payment to the funds will be converted into a powerful financial stimulus for the associations and enterprises to develop and carry out large-scale equipment-related measures for a system-wide mechanization and automation of production and the incorporation of new engineering and technology, thereby creating practical conditions for appreciable freeing the labor force and increasing equipment operation time.

An important condition for a fundamental improvement in fixed capital utilization, including the growth of its yield on capital as well, is the creation of scientifically based sector award systems that fully reflect the work input and personal financial responsibility of each industrial employee, from the common worker to the enterprise director. An award (along with salary) for actual work input and a daily personal financial responsibility for carrying out one's obligations are the embodiment of the economic law of socialism: from each according to his ability; to each according to the quantity and quality of work expended in social production.

In addition to this, in planning the technical reconstruction of enterprises and associations and the overall modernization of their equipment one must also compute in percentage terms the increase in the share borne by the active part of fixed capital. Both the customers (associations and ministries) and the supervisors of the contracting building organizations that are doing the work must bear personal financial responsibility for carrying out this task. It should be noted that under present-day conditions large and small nonproductive expenditures and losses in enterprises and production and industrial associations as a rule are covered by the organization. The financial interests of individuals directly or indirectly guilty of causing an economic loss to the organization are not touched. Sometimes

* "Materialy XXV syezda KPSS" [Materials of the 25th CPSU Congress], Moscow, Politizdat, p 169.

only administrative means of persuasion are applied to them, which is not in keeping with the Leninist principles of socialist management. It is absolutely essential to establish forms of personal financial responsibility for carelessness and neglect on the job and for miscalculations in planning.

The decree devotes an exceptionally large amount of attention to accelerating the application of the achievements of scientific and technical progress. With this goal in mind it seems economically prudent in developing sector award systems to increase the incentive 1.5 to 2-fold for the inventors of new high-production lathes, large and small machinery, flow lines and progressive technology that assure the overall mechanization and automation of all operations, not only in the main production areas but also in auxiliary and intermediate shops and establishments. Unfortunately, manual labor still predominates in those areas. At the present time about 40 percent of the industrial production personnel are employed in auxiliary and intermediate industrial establishments. Figures show that if in the next three to four years our industry would be able to replace manual by machine labor in only half of its operations, this would free more than 10 million persons in the associations and enterprises under consideration.

Scientifically based annual goals for raising the level of mechanization and automation in all intermediate and auxiliary shops and establishments must be fixed when the plan for the economic and social development of each industrial ministry is worked out for the five-year period. This fully corresponds to point 7 of decree No. 695 of the CPSU Central Committee and the USSR Council of Ministers: "To establish in the five-year plans for economic and social development the following indicators and economic norms (specified by year) for the industrial ministries, associations and enterprises: "...including "the goal of curtailing the use of manual labor." Guidelines for fulfilling this complex task related to the national economy are provided in the overall scientific, technical, economic and social target program set forth in the decree and require large-scale involvement of sector and intersector scientific research, design and construction and engineering organizations; appropriate institutes of the USSR and union republic AN (Academies of Sciences), and VUZ research personnel. Given the present expected decline in the birth rate, a successful resolution of this problem would help to insure a high rate of expanded socialist reproduction in the near future.

Another vital factor for the intensification of industrial production is the creation of large-scale design and building, production and management complexes (associations) which would provide the financial stimulus from united incentive funds and bear the full financial and moral responsibility for the end results of their activity on the national economic level, i.e. for guaranteeing that industrial projects under construction would be placed into full operation according to schedule.

Unfortunately, at the present time in a number of sectors many large industrial projects that were put into operation during the Ninth Five-Year Plan have not as yet reached their design capacity. Actually, no one is bearing the responsibility for this and all the participants in the building of these projects have legitimate excuses. The planning organizations officially handed over the design estimates to the customer on schedule and received awards; upon completing the construction projects, the contract organizations also officially handed them over

to the state commissions and also received due awards. But these projects fall far short of providing the government with the required production and the budget with its net income. Design and construction associations would be directly responsible not only for developing a quality design and for seeing that the project is completed according to schedule, but also for seeing that it achieves its projected output capacity in the time stipulated by the plan. Only this would constitute the end result of the production activity of such associations on the national economic level.

A design and construction production association should carry out all of the initial tune-up work in conjunction with the collective of operators of the given project. Only after this collective has achieved the design capacity will it be economically feasible and completely justified to give awards to the workers, ITR (engineering-technical workers), white collar personnel and supervisors.

Of course, the creation of such associations is a complex matter and will require time for preparatory measures to be taken and perhaps even for economic experimentation. But life urgently demands such a form of concentrated social production. It would seem that the time to undertake this task is now.

An analysis of the activity of leading production associations in a number of branches of industry convincingly demonstrates that they are achieving high technical and economic indicators, including the fulfillment of the profit plan and budget payments, mainly thanks to the fact that they are systematically, persistently and unselfishly, month in and month out, year in and year out, incorporating the achievements of scientific and technical progress into the production process. Equipment and tools are being modernized, the plan is being successfully carried out through the use of new methods, progressive technology and organization of production are being utilized and the creative forces of the entire collective are being actively mobilized. However, even these associations rather frequently have financial difficulties for reasons unrelated to their operations and this restricts and complicates their development to a certain degree. It seems to us that it is now urgent to create advantages in financing, credit accounting and material motivation for such associations and enterprises. This should be reflected specifically in the possibility of receiving financial help from a higher organization on a priority basis, in special advantages with respect to credit and accounting and in increased awards from incentive funds. At the same time all forms of morale-building measures should be employed.

In order to more efficiently utilize the working capital in 1980, the industry ministries must work out and, with the approval of the USSR Ministry of Finances, set economically based working capital norms for associations and enterprises. Figures for their own working capital should be cited in the 11th Five-Year Plan in conjunction with these norms. This would help not only to accelerate the working capital turnover rate but also to assure the associations and enterprises of a firm financial footing. Along this same line, a new, very flexible and highly practical form of short-term consumer credit will begin to be fully implemented for consumers who temporarily lack the means to pay for regular deliveries of material goods as stipulated by the contracts. Bills certified by the customer are paid on credit by the USSR Gosbank with the indebtedness for them falling to the customer. The loan can be for a period of up to 60 days at a five percent

annual rate and is to be paid off according to a schedule of payments for material goods. If it is not paid off within the required period, even higher interest rates will be charged.

In order to increase the interest of associations and enterprises in utilizing material resources economically, a new system for calculating the profitability of production is being introduced in the processing industry. This system is based on the relationship of profits to production costs after the expenditures on materials have been deducted. This undoubtedly will not only motivate the reduction of material consumption but will restrain economically the heightened desire of associations to manufacture products requiring a large amount of material input.

In the new five-year plan the following financial levers will serve to increase the economic interest and financial responsibility of the associations for better utilization of natural resources and conservation of the environment: the payment for water drawn by industrial enterprises from reservoir systems is to be considered a production cost, providing thereby the incentive to use it prudently; the per-stump fee is to be increased to insure rational utilization of forests and land; geological survey allocations of enterprises in the mining sectors of industry are to be increased, and the cadastral value of land for building sites will be taken into consideration when technological and economic justifications for the construction of production installations are formulated.

In order that expenditures on labor resource reproduction might be covered more fully from labor's own financial resources, increased deductions for social insurance are being introduced as of 1 January 1982. As a rule they will consist of 7 to 14 percent of a person's salary as opposed to the present 4.7 to 9 percent.

Serious attention has been given in the decree to further improvement of the system for motivating the increase of product quality by way of price mark-ups. It is projected that mark-ups on wholesale prices for highly efficient technical products be raised by a factor of from .5 to 1.25 times the profit norm that was adopted when prices were determined for the given item. If discoveries and inventions are used effectively in the manufacturing of highly efficient products, the mark-up is to be increased 1.5 fold. Far-reaching measures will be implemented under the 11th Five-Year Plan to stimulate growth in the production of consumer goods bearing the state Sign of Quality. In addition, provisions have been made for the development of an overall economic target program aimed at increasing the production of new high quality consumer goods.

COPYRIGHT: "Finansy SSSR", 1980

9637

CSO: 1820

INVESTMENT, PRICES, BUDGET AND FINANCE

REEXAMINATION OF LABOR INPUTS, PRICES UNDERWAY

Moscow *Pravda* NOVOYE KHOZYAYSTVO in Russian No. 11, Nov 80 pp 100-106

[Article by Yu. Borozdin, doctor of economic sciences, professor: "Tendencies Toward Change in Socially Necessary Labor Inputs and Prices"]

[Text] Any major changes in the methods of planning, economic stimulation and evaluation of the activity of production enterprises and associations require the creation of an appropriate price system. If prices do not reflect the actual expenditures on the production and sale of products and do not fully take into account the use value, effectiveness and quality of articles, it is impossible to measure by means of them the real contribution of enterprises to the creation of the national income.

At present price formation bodies are revising wholesale prices and rates in industry with the introduction of new prices as of 1 January 1982. The need for this measure is dictated by the tasks connected with improvement in the system of wholesale prices, because, basically, current prices were formed in 1967 and during that time significant changes have taken place in the conditions of production and sale of products.

The present revision of wholesale prices is made under three restrictive conditions. The change in wholesale prices, as well as rates, of electric and thermal power should not affect the level of retail prices of basic foodstuffs and non-foodstuffs, as well as services rendered to the population. Infringement of the interests of the state budget is excluded. With the introduction of new wholesale prices of industrial products the formation of uncompensated losses for agriculture must be avoided.

In the last few years there has been a significant shift in the extraction of fuel and many types of raw materials to the country's eastern and northern regions, state expenditures on environmental protection have increased considerably, depreciation rates have risen and important wage regulation measures have been implemented. This brought about an increase in production costs, especially in fuel-power and raw material branches, and led to the unprofitableness of coal extraction, timber procurement and production of thermal energy. At the same time, some branches of the processing industry had an excessively high profitability. The tasks of bringing wholesale prices closer to socially necessary labor inputs,

increasing the stimulating role of prices and rates in accelerating scientific and technical progress, observing a stricter economy of material, labor and financial resources and improving the quality of output required a one-time price revision in industry.

The theoretical basis for improvement in wholesale prices lies in retaining the general wholesale price formula on the branch level, when the amount of standard profit calculated according to the standard of profitability in relation to the value of fixed and circulating productive capital with the necessary differentiation of this standard by branches is added to the planned production costs; in more fully reflecting in the production costs of industrial output expenditures on geological survey and forest restoration work, as well as expenditures on social insurance for workers and employees; in ensuring a close relationship of prices and standard technical documents and in using the appropriate wholesale price increments (allowances) for the purpose of stimulating the development of highly efficient output and more fully taking into account the quality and consumer characteristics of articles in prices.

It is extremely important that, along with the revision of wholesale prices, standards of net output taking into account the expenditures of enterprises and their actual contribution to the creation of the national income are approved simultaneously in a number of branches. In connection with this the practice of determining profitability during the establishment of wholesale prices of specific articles in the form of the ratio of profit to production costs after deduction of the cost of utilized raw materials, supplies, fuel, power, semifinished products and accessories is expanding and improving.

Under the conditions of the improvement made in the economic mechanism and the system of wholesale prices and rates in industry a 5-year period, during which they will be unchanged, was established for most planned standards. This results from the task of intensifying the role of the five-year plan as the main form of planning the country's economic and social development and the basis for the organization of the economic activity of enterprises and associations. In connection with this the decree of the CPSU Central Committee and the USSR Council of Ministers (July 1979) envisages retaining during the five-year plan stable wholesale prices in industry, estimated prices in capital construction and rates for freight transport. This important requirement is aimed at the realization of the principle of a coordinated development of the plan and prices. Every five-year plan should have a system of prices stimulating its fulfillment. However, such an approach does not necessarily presuppose the need for a general revision of wholesale prices and rates at the beginning of every five-year plan, because the conditions of production and consumption of output in various branches are not changed to the same extent at different times. However, the introduction of partial changes before the beginning of every five-year period in the level and correlation of prices of the output of individual branches and industries (where there is an objective need) creates the possibility of giving up one-time price revision on a countrywide scale and thereby more effectively solving the problem of combining the stability and flexibility of prices.

However, the requirements on an economic substantiation of prices increase considerably. When prices are stable during the five-year plan, the task of scientifically forecasting possible changes and taking them into account when drawing up the five-year plan and establishing prices for a given five-year plan is put in the forefront. This means that it is necessary to include in them all the stimulating principles during the five-year plan, bearing in mind the subsequent invariability during 5 years.

This task is especially difficult for branches with rapidly changing production conditions, where scientific and technical progress intensively affects the dynamics of production costs and profitability of output. If before the beginning of the five-year plan there is a direction toward the standard amount of profitability, the prices of specific articles, since by the end of the five-year period the costs will decrease and the actual profitability will increase, there is the tendency toward an increase in the monetary accumulations included in prices and, as a result, toward a rise in the price level. Since by that time new equipment ceases to be new and the profitability of its production exceeds the standard profitability, the task of stimulating the output of a new generation of machines is on another, higher level. At first glance this problem is purely specific, but its solution should be based on a certain concept of formation of socially necessary inputs under present conditions.

An investigation of the category of socially necessary labor inputs under socialism has been conducted by Soviet economists for many years. Interesting theoretical results leading to the formation of so-called concepts of planned price formation and corresponding models (formulas) of the planned price have been obtained. There have been practical discussions between the proponents of the determination of socially necessary labor inputs on the basis of average or maximum inputs and so forth. At the same time, as yet there is no uniformity in the solution of the problem of socially necessary labor inputs, which is also reflected in the practice of price formation utilizing different information contents, not only different price models, during the determination of specific prices.

At present many economists believe that inputs under average socially normal production conditions are socially necessary. In turn, the concept of socially normal conditions is concretized with respect to individual branches, enterprises, groups and types of products. A comparatively simple task remains, that is, to calculate these average normal expenditures (production costs) and, having added the standard profit to them, to obtain the planned price close to socially necessary labor inputs. However, it turns out that such prices, while reflecting current production costs in a comparatively accurate manner, do not solve many economic problems. For example, they do not fully take into account the use value or useful effect of output, because, as a rule, prices are established for a physical unit of output, not a unit of output calculated according to use value. As a result, the principle "equal price for equal use value" is often violated and for similar products there is either an excessively high profitability or unprofitableness. There is also a lack of correspondence in the prices of interchangeable products if the correlations in the expenditures on their production are different than the correlations of the consumer effect. As a result, a paradoxical situation is created--prices are close to socially necessary labor inputs and, at the same time, are not substantiated thoroughly.

Therefore, either the determination of socially necessary labor inputs under average normal production conditions is incomplete, or the requirement for bringing planned prices closer to socially necessary labor inputs is insufficient and should be supplemented by other requirements. In our opinion, a calculation of socially necessary labor inputs, which with minimal information support can take into account the diversity of price forming factors, is hardly attainable. Socially necessary labor inputs can be considered no more than a base of planned prices, at the same time, not always solid for the adoption of final decisions on the level of approved prices. Furthermore, in our opinion, the interpretation of socially necessary labor inputs as inputs under average normal production conditions is too narrow and does not reflect the entire content of this category.

Summing up theoretical investigations, it can be concluded that there are two approaches--socioeconomic and standard-technical--in the concept of the category of socially necessary labor inputs.

Essentially, one of them is connected only with production conditions and lies in the determination of the planned, not actual, average progressive level of expenditures on the basis of a wide use, during the development of output, of standards of an efficient utilization of material, labor and financial resources. Then the measure of deviation of standard expenditures forming the basis for the price will also be the measure of deviation of socially necessary inputs from those actually formed at a certain enterprise. Although in the present state of the standard economy it is quite complex to realize such an approach, in practice, there are no fundamental difficulties in the calculation of socially necessary labor inputs by the standard-technical method.

With the socioeconomic approach the social need for production expenditures, no matter how well calculated they might be, should be confirmed by the conditions of consumption of output and the extent of the social need for it.

There is a determined relationship between the amount of socially necessary labor inputs and the extent of the actual social need for a given item. Only when production volumes coincide with the extent of social need will socially necessary inputs correspond to the amount of expenditures calculated by the standard technical method. If the amount of production exceeds the level of social need, socially necessary labor inputs will correspond less and vice versa. At the same time, there is a very complex problem of determination of the extent of the actual social need, which, in turn, can be considered in two ways--in physical-material and value aspects.

The standard method connected with the determination of specific norms of expenditure of raw materials, supplies, fuel and power for the production of the planned amount of output of all material production branches is widely used with the first approach. Then the fully balanced production of the gross national product in its physical-material form should be attained by means of a series of iterative calculations. If the planned scale of production coinciding with the extent of social need is taken in this case, the socioeconomic approach to the category of socially necessary labor inputs will be the closest to the standard-technical approach. At the same time, the very process of planning the need should proceed from branches producing end output to the branches of the fuel-power and raw material complex.

The situation with respect to the value aspect of determination of the actual social need is more complex, because only effective need can really be the criterion of the actual social need. However, this criterion, at first glance simple and easily realizable in practice, from our standpoint, cannot be unconditionally used as the value criterion of the actual social need even if only because demand is determined not only by actual needs.

The thesis on the correspondence of the prices of socially necessary labor inputs in a balanced state between supply and demand can be considered correct if it is free of any types of attendant factors not connected with the actual social need. This also means that the use of prices as a tool for balancing supply and demand for the purpose of bringing them closer to socially necessary labor inputs is a problem whose solution requires a differentiated approach to various groups and types of goods and the performance of careful socioeconomic calculations.

Of course, the problem of taking supply and demand into account is of the greatest importance for retail prices and rates of services rendered to the population. In our opinion, supply and demand for basic consumer goods and services should be leveled not through the use of the price mechanism, but through the maximum possible increase in the production of scarce goods. When the policy of stability of retail prices of basic foodstuffs and nonfoodstuffs is preserved, there is a fundamental possibility of establishing prices balancing supply and demand for luxury items and prestigious articles and fully using the following principle for new goods for cultural-general and economic purposes: The price of a new article is equal to the price of a similar article plus an increment for the qualitative advantages that the new article provides for the consumer.

Since, as before, the task of bringing all types of prices closer to socially necessary labor inputs remains the central problem of the methodology and practice of planned price formation, in the last few years the theoretical development of the category of socially necessary labor inputs under socialism has been carried out primarily in two aspects--the qualitative content of socially necessary inputs and the possible methods of their quantitative measurement. With regard to the essence of the category itself, apparently, the interconnection of socially necessary inputs with the conditions of production and sale of output is mandatory during its analysis.

However, the conditions of production and sale are different at different enterprises. They are differentiated depending on the branch and place of production and the structure and degree of utilization of production resources. In the general situation socially necessary expenditures cannot be determined by extreme conditions, although such cases are possible. For the most part, the conditions actually formed in the sphere of material production at the attained level of equipment, technology, organization and management form the basis for socially necessary labor inputs. Taking into account the significant differentiation of actual expenditures at enterprises producing similar or interchangeable output, an evaluation of the correspondence of these expenditures to the socially necessary level should be made in accordance with specific criteria during a comparison of the real amounts of production with the extent of social need for output or certain types of services.

Socialism based on public ownership of means of production requires a centralized distribution of combined labor among individual spheres and branches of production and groups and types of products and services with due regard for the extent of social need for them, because the creation of use values is the direct goal of production.

The productivity of labor of workers employed in the national economy plays an exceptionally important part, because not only the possibilities of increasing the production of material and spiritual benefits, but also a certain freedom of maneuver (during full employment) in the planned redistribution of labor resources among the country's branches and regions, depend on the rates of its growth. In the last decade the distribution of the population employed in national economic branches has been characterized by a certain stability: Approximately 38 to 39 percent is employed in industry and construction, 21 to 23 percent, in agriculture and forestry (including private subsidiary farming), 8 to 9 percent, in transport and communication, 7 to 8 percent, in trade, public dining, material and technical supply, sales and procurements, 16 to 17 percent, in public health, physical culture, social security, public education, culture, art, science and scientific services and 6 percent, in state administration and other national economic branches.¹ During the 1970-1978 period labor productivity rose 49 percent in industry, 28 percent in agriculture (public production), 28 percent in railroad transport and 40 percent in construction.²

As before, the proportion of annual workers and the total number of man-hours spent on the production of the intermediary product remain high and this affects the total amount of socially necessary labor inputs in the national economy and the proportions of their distribution. In the value of the gross national product (table 1) the expenditures on the replacement of consumed means of production during the same period grew much more rapidly (61 percent) than the national product (54.1 percent) and the national income (45.7 percent). Of course, these data can also be interpreted from the point of view of the increase in the proportion of embodied labor in the value of the gross national product. However, this process should be accompanied by a reduction in the specific expenditures of means of production on the creation of end output or, simply, finished output of some production branches. In practice, this is not attained in a number of cases, which is demonstrated by the indicators of material, capital and power intensiveness in some material production branches, including those connected with the extraction and processing of minerals, as well as in machine building.

A comparison of the rates of growth of the gross national product and the national income throughout national economic branches shows that they were the highest in the sphere of commodity circulation and then in transport and communication and the lowest in agriculture. There is an apparent contradiction between the relatively low rates of production growth in agriculture and the task of further

1. "Narodnoye Khozyaystvo SSSR v 1978 g." [USSR National Economy in 1978], Moscow, Statistika, 1979, p 363.

2. Ibid, p 35.

switching part of social labor from agriculture over to other production spheres, as well as to branches of the nonproduction sphere. This contradiction should be solved through a sharp increase in labor productivity and on this basis a decrease in social labor inputs for the production of agricultural produce. Such a line is now general for other branches and spheres of the national economy as well, although it is manifested depending on specific branch characteristics. The certain slowdown in the actually attained rates of labor productivity growth in industry during the current 5-year period as compared with the two preceding periods (1966-1970 and 1971-1975) and the rise in the price of the output of fuel and raw material branches of industry, which is beginning to show, could not fail to affect a change in expenditures in industry as a whole (table 2).

Table 1.* (In Actual Prices, Billion Rubles, in Percent of 1970)

	1970	1975	1978
Gross national product	643.5	862.6	992.1
Including the product produced in national economic branches	100	134.0	154.1
Industry	409.0	558.3	633.1
Agriculture	100	136.5	154.8
Transport and communication	103.8	122.3	147.0
Construction	100	118.7	141.6
Trade, procurements, material and technical supply and others	25.7	36.7	43.7
Construction	100	142.8	170.0
Trade, procurements, material and technical supply and others	67.6	91.7	99.2
Trade, procurements, material and technical supply and others	100	135.5	146.7
National income	289.9	363.3	422.5
Including the income produced in national economic branches	100	143.3	184.7
Industry	148.3	191.2	216.2
Agriculture	100	128.9	145.7
Transport and communication	63.1	61.5	173.6
Construction	100	97.4	116.6
Trade, procurements, material and technical supply and others	16.3	23.0	25.9
Construction	100	141.1	158.9
Trade, procurements, material and technical supply and others	30.0	41.3	46.0
Trade, procurements, material and technical supply and others	100	137.6	153.3
Trade, procurements, material and technical supply and others	32.2	46.3	60.8
Trade, procurements, material and technical supply and others	100	143.8	188.8
Fund for the replacement of consumed means of production (gross national product-national income)	353.6	499.3	569.6
Fund for the replacement of consumed means of production (gross national product-national income)	100	141.2	161.0

*Calculated according to the data in "Narodnoye Khozyaystvo SSSR v 1978 g.," pp 41 and 386.

Table 2.* (In Percent of the Previous Year)

	1975	1976	1977	1978
Industry				
In actual prices of corresponding years	+0.8	+0.9	+0.2	-0.1
In prices comparable with the previous year	-0.7	+0.1	-0.3	-0.4
Industrial Branches				
(In prices comparable with the previous year):				
Power engineering	-0.6	+0.1	+0.2	-1.2
Fuel industry	+0.3	+1.2	+1.3	+1.8
Ferrous metallurgy	+0.9	+0.4	+0.1	+0.7
Chemical and petrochemical industry	-1.5	+0.2	-1.0	-0.5
Machine building and metalworking	-2.0	-1.2	-1.6	-1.5
Timber, woodworking and pulp and paper industry	+0.4	+1.2	+0.4	+0.9
Construction materials industry	-0.5	+1.0	+0.7	+0.9
Light industry	-0.04	+0.4	+0.1	-0.1
Food industry	-0.6	+1.0	-0.1	-0.5

Remark. The minus (-) sign denotes a decrease in expenditures and the plus (+) sign, increase.

*See: "Narodnoye Khozyaystvo SSSR v 1978 g.," p 136.

The data of table 2 show that there is a tendency toward an increase in expenditures in fuel and raw material branches, expenditures per ruble of commodity output in electrical power engineering, chemistry and petrochemistry and light and food industry hardly change and a favorable tendency, although not on a very perceptible scale, remains only in machine building. We will mention only the general reasons for a significant slowdown in the rates of reduction of expenditures throughout industry:

relative increase in the material intensiveness of the national product occurring as a result of the drop in the rates of labor productivity growth, reduction in the capital-output ratio and unjustifiably high specific expenditures of material resources;

intensification of the effect of natural and geographical conditions on the production costs of products of some extractive branches as a result of their ever greater shift to the country's east and north;

slowdown in the rates of scientific and technical progress and decrease in its national economic efficiency.

This is manifested both in a reduction in the number of developed models of new types of machinery, equipment, apparatus and instruments and in a relatively more rapid increase in the expenditures (as compared with results) on new equipment. The actual expenditures on the introduction of measures for new equipment (including expenditures of past years) in 1975 exceeded their 1970 level by 2,507 million rubles and the annual economic effect during the same period increased by 1,225 million rubles. In 1978 the actual expenditures exceeded the 1975 level by 1,142 million rubles and the annual economic effect, by 508 million rubles.¹ Such results of scientific and technical progress do not make it possible to cover the price increasing effect of deteriorating natural and geographical conditions on the production costs of products of extractive branches of industry.

Planning bodies have diminished their attention to the indicator of production costs and, as a result, the fight in associations and enterprises for their decrease is weak. In a number of cases the increase in the price of some types of fuel, raw materials and supplies is due to changes in the methodology of calculation of expenditures, especially on the output of branches directly engaged in the extraction and processing of natural resources. For example, the practice of inclusion of expenditures on geological survey work in the production costs of mineral raw materials, increase in the amount of payment by the stamp, introduction of payments for water consumed by enterprises from water management systems and so forth is expanding. Such changes in the methodology of calculation of expenditures are not connected directly with real price increases, but are the consequence of structural shifts in the price model, when part of the expenditures previously reimbursed from the net income are now shifted directly to production costs. If this process is examined in statics, at first glance it is of a purely redistributing nature and does not affect the amount of combined national economic expenditures and, thereby, the general price level. However, this problem is more complex.

With such an approach the boundary between the expenses of enterprises appearing in the form of production costs of produced products and the expenses of society including, in addition to production costs, the value of the surplus product is "washed away." There is a tendency toward an increase in the proportion of the expenses of enterprises. This process cannot be evaluated unequivocally, because, on the one hand, the level of cost accounting of enterprises and associations and the degree of their financial responsibility and interest in an efficient utilization of the production resources allocated by society rises and, on the other, the effect of the centralized principle on the process of accumulation and subsequent distribution of society's net income in the form of payments for resources and financing of centralized capital investments is weakened. The latter hardly depends on the general structure of the planned price, because with an unchanged magnitude of the standard of profitability the total amount of monetary accumulations in the price is retained or even increased. As a result, the amount of disposable balance of profit increases and, thereby, the gap between nominal and real accumulations in the national economy remains.

1. Calculated according to the data in "Narodnoye Khozyaystvo SSSR v 1978 g.," p 94.

Furthermore, the relative increase in the proportion of the expenses of enterprises in the total value of output consolidated by changes in the methodology of calculation of production costs creates possibilities for enterprises to write off all kinds of unproductive expenditures and losses from production costs, which leads to a real rise in the price of products, especially in branches connected with the extraction and processing of minerals.

The category of socially necessary labor inputs gradually lowers its national economic level, which, in turn, also affects the nature of the planned price as a social standard of expenditures. When the relationship between prices and expenditures is strictly determined, it is individualized to an ever greater extent, turning into the category of the measurer of the actual expenditures of specific enterprises and associations. This process expands with the intensification of specialization and is especially characteristic of machine building branches. Hence the need for an evaluation of individual actual expenditures on the production of machine building products from the standpoint of the social criteria of their expediency. Two ways are possible here. The establishment of a system of national economic standards of expenditures on all types of resources used in production, primarily material and labor resources, is one of them and a methodologically correct measurement of the efficiency of machine building output in the sphere of application so that individual expenditures on production may be covered by the total (with due regard for the time factor) savings obtained in the process of operation of machines is another. Then this amount of savings will characterize the level of socially necessary labor inputs.

In our opinion, it is advisable to use both ways, but with a significant improvement in methodological support both for the determination of standards of production expenditures and for the calculation of the economic effect obtained as a result of the use of machines.

The movement of socially necessary labor inputs and prices in machine building is much more complex than in extractive branches of industry, the consequence of the highest rates of replacement of output and, therefore, of the shift or significant change in the object form of articles. Therefore, the dynamics of expenditures can be evaluated here only when compared with the dynamics of the social use value of output.

In branches with a rapidly replaced list of products the task of correlating the absolute and relative change in expenditures and prices is put in the forefront. There is no doubt that, for example, every year the output of machine building becomes more and more expensive. This leads to an absolute increase in the value volumes of production and rise in the cost of capital construction and implemented reconstruction and modernization at the expense of prices of consumed equipment. Thereby, the amount of depreciation allowances and expenditures on the maintenance and operation of equipment rises and the proportion of overheads in the production costs of products produced by means of new machines increases. At the same time, new equipment, as a rule, is more productive than old equipment, makes it possible to obtain more output in a unit of time and ensures an increase in many other operating parameters. Becoming absolutely more expensive, it should be relatively (per unit of useful effect) cheaper than the replaced basic equipment. This is

the goal of scientific and technical progress and its result. However, the problem of measuring the relative change in prices and expenditures is quite complex and, methodologically, has not been solved completely.

The existing method of determining wholesale prices of new products for production and technical purposes envisages taking into account part of the effect in the established prices, although, in practice, a number of problems have not been solved thus far. The main one is that, if the price is directly connected with the cost accounting of associations and enterprises, the effect of such a relationship directly not only does not have, but is not included in, planned and calculated indicators in the accounting and statistical reporting of the same associations and enterprises. However, taking into account that many consumers receive a term serially produced equipment, it is possible to "collect" the savings obtained by them during its use only with a well-developed system of centralized reporting, whose establishment is connected with many difficulties of a methodological and organizational nature.

As long as this problem is not solved, the price including the increased profit at the expense of part of the effect is of a stimulating nature for manufacturers. For consumers, where the effect is actually realized, it turns into a price increasing factor, because the savings from the reduction in production costs (if they are attained) are determined as the result of the entire activity of an enterprise (association), not in consequence of the price "advantageous" for the consumer.

Thus, the contradiction between the cost accounting interests of enterprises--consumers of new products for production and technical purposes--and the prices established for them remains, which affects the end results of the work of many material production branches.

The problems set forth are directly connected with the formation and movement of socially necessary labor inputs and prices under present conditions. The task is to maximally mobilize factors in the reduction of expenditures in industry as a whole. At the same time, it is necessary to stabilize their level in the branches of the fuel and power complex, to strive for a relative reduction in expenditures in machine building and chemistry on the output of branches producing consumer goods and on this basis to transform prices into an effective and stable standard of socially necessary labor inputs in the national economy.

COPYRIGHT: Izdatel'stvo "Ekonomika", "Planovoye khozyaystvo", 1980

11,439
CBO: 1820

INDUSTRIAL DEVELOPMENT AND PERFORMANCE

ECONOMIST DISCUSSES PRODUCTION ASSOCIATIONS

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 11, Nov 80 pp 93-99

[Article by Doctor of Economic Sciences Yu. Subotskiy: "Production Associations: Factors of Efficiency and Conditions of Development"]

[Text] Production associations have become widespread in socialist industry. At present the long-range task of improving the organization of production at these complexes is advanced by the decree of the CPSU Central Committee and the USSR Council of Ministers on the improvement of the economic mechanism.

In the more than 15 years which have passed since the formation of the first associations the advantages inherent in them have been proven by the work experience of many of them. At the same time their creation frequently does not lead to the anticipated increase of the volume and quality indicators of production. It seems that the reason to a considerable extent consists in the inadequately complete and thorough realization of the essence of the structural transformation being carried out and the decisive factors of its effectiveness. In scientific literature and in practice the changeover to associations at times is interpreted only as administrative reorganization. The objective economic laws, the effect of which governs the formation of such complexes and enables society to obtain an additional economic impact, remain outside the field of view and are not realized. It is a matter of the laws of the present development of the organization of large-scale machine production.

When analyzing the essence of the creation of associations it is important to consider that this process perforce presumes /progressive shifts in the productive forces, in the social division of labor, the organization of production/ in bold-face--its concentration, specialization, cooperation and combination. If such profound shifts are not achieved or objectively are not imminent and, hence, if the consolidated economic form does not have a material and technical base coincident with it, this form does not acquire truly significant advantages. The latter are founded to a decisive extent on the superiority of the potential and economic efficiency of large-scale production.

The theses of V. I. Lenin on the origination of capitalist trusts and concerns by the socialization of production, first of all its concentration, are of great methodological importance for determining the essence of the creation of associations. The nature of the transformation, consequently, does not reduce to the changes of

the management-administration form. In light of Marxist-Leninist methodology the creation of socialist associations is a manifestation of the law of the conformity of production relations to the level and nature of the development of productive forces, a result of the current interaction of the former and the latter.

Another characteristic of associations--as the expression of the effect of the law of the socialization of production--is also significant. The same integrational trend is inherent in the centralization of enterprises in production economic complexes as is inherent in socialization as a whole, which consists, as is known, in the consolidation of many fragmented processes into one social process, in the intensification of the cooperation of labor and the strengthening of the social contacts between producers.

The effect of the named economic laws was also embodied in associations at previous stages, for example, in the trusts of the early 1920's. But modern associations are a concrete historical form of these complexes. Its main peculiarities are predetermined first of all by extensive and accelerated scientific and technical progress, by the high level of development of productive forces. Under these conditions, as L. I. Brezhnev noted, "not any associations, but those which actually raise to a new stage the socialist socialization of production and labor, are based on the latest achievements of science, engineering and technology, ensure the greatest productivity and provide the maximum inexpensive output, are necessary."¹ At the 25th CPSU Congress the modern socialist association was characterized as a unified complex "in which science and production are integrally combined, specialization and cooperation are extensively developed."² The December (1975) CPSU Central Committee Plenum noted that associations express "a new stage in the specialization and cooperation of production."³

The association is not only a new economic (management, administrative) form, but first of all a special, higher organization of national labor, a new stage of its division and cooperation, a higher level of the socialization of production. The main factors of the increase of economic efficiency at these complexes consist precisely in this. That is why it seems very important to regard their creation and development as a progressive movement of the cooperation of labor.

The higher degree of the cooperation of labor, which should be embodied in associations, is an objective result of the development of the modern technical base, first of all the complete mechanization and automation of production, the use of tools of labor of higher, increasing (on the average 5-8 percent a year) unit capacities and the expanding adoption of machine systems.

The progress of technology, the development of social needs and the accelerated increase of the number of types of production are giving rise to a ramified network of technological ties. Subsystems of cooperation, which have a previously unknown degree of internal integration of the production units, are becoming objectively necessary. The emergence of such subsystems in many ways is explained by a noteworthy feature of modern cooperation--the active formation of its most mature, differentiated forms. Ties with respect to the intermediate sectorial (subsectorial) product--parts, assemblies, items of individual technological stages--are supplementing and replacing more and more extensively the cooperation with respect to the product which is the final product for the sector (subsector). In this case the

intrasectorial division of labor is being actively enriched by processes which previously belonged to the sphere of its intraplant, elementary division.

In a number of sectors such differentiated forms of cooperation have already been developed extensively. Thus, in the past three five-year plans the internal turnover in the automotive industry, the electrical equipment industry and tractor and agricultural machine building has increased approximately 1.5- to 2-fold. In the last sector the proportion of centrally manufactured parts, assemblies and units in the total volume of output of the sector increased roughly from 21 to 27 percent, in the motor vehicle industry it has reached 40 percent.

These shifts in the division and cooperation of labor are transforming the forms of the social organization of production. The creation of a certain product to one extent or another is being dispersed among an increasing number of "points" of the production of its components. Some spatial disaggregation of plant production and the partial replacement of intraplant cooperation by interplant cooperation are taking place. One of the expressions of such occurrences is the creation of affiliated plants. The indicated changes are most characteristic of the processing sectors, but are being revealed more and more completely also in the extractive sectors, as well as in agriculture and other sectors of the economy. They are observed in all industrially developed countries, as well as in international production cooperation.

Among the features of modern cooperation which are embodied in associations is the increasing diversity of the types of labor belonging to it. The most significant manifestation of this trend is in the emergence and development of scientific production cooperation. The integration of production and postproduction functions and relations (the adoption of the product being produced at the consumers'--its installation, adjustment, participation in maintenance and so forth) should also be indicated.

In conformity with the noted features of the cooperation being formed at the present time, there are a number of qualitatively new elements inherent in its developed subsystems, which it is important to take into account in the process of organizing associations. In the traditional, less differentiated forms of cooperation (in items which are the final items for the sector, the subsector), with the technological autonomy of the participants in production, which is characteristic of them, the interaction of the latter arises primarily at the final and initial stages of the reproduction cycle--in the process of delivery, the sale of products, the receipt of the proceeds. Here cooperation does not always influence appreciably the main stage of the cycle--immediate production, as well as its internal organization at both enterprises--those of the consumer and the manufacturer. Cooperation in developed, fragmented forms requires the stable congruence of the intraworks organization of the partners.

Enriched forms of interplant interaction are increasingly distinguishing modern cooperation. It includes the joint implementation of scientific and technical programs, the coordination of technological decisions, the mutual presentation of design developments, the preliminary delivery of the components of a new product and test models, technical assistance and inspection at the consumer's and others. In essence, scientific and technical progress is shifting the center of gravity of

cooperation to the preproduction and the direct production stages. Here cooperation gives rise to an additional economic impact in the production spheres of both participants.

Associations, which have been integrated internally by fragmented forms of cooperations--complexes of the vertical type--are the most efficient. The data on the associations of the footwear industry attest to their advantages. At those of them, where part-by-part cooperation of the factories has been developed, the labor productivity is 16 percent higher, the output-capital ratio is 12 percent higher and the profitability is 50 percent higher, while the unit current expenditures are 9 percent less than at associations, the factories of which have maintained a production cycle which is closed itemwise.

However, to present the objective possibilities for the development of associations which have been integrated internally by a deep-running division of labor are different in different sectors. At the majority of them enterprises specialized by classes, types and models of products, which are the final products for the sector (subsector), predominate, while the number of plants and factories which are specialized with respect to parts and technological stages is negligible.

Associations of the horizontal type, in which the output of a products list selection of products of the sector is distributed among the parties to cooperation, which are at the same level of the division of labor, emerge in such sectors. The creation of such complexes yields a comparatively smaller impact. But here, too, the level of specialization of production, primarily its item form, increases and scientific production integration is achieved.

Associations of the horizontal type will remain in the sectors with a continuous processing method, where a closed production cycle of the final product is characteristic of the enterprises (in a number of subsectors of petroleum refining, the petrochemical industry, the construction materials industry and others). At the same time an increase of the number of associations, which are integrated internally by a deep-running division of labor, is foreseen in the immediate future in the sectors with discrete production.

The formation of associations leads to the improvement of the system of cooperation not only owing to its development within these complexes. No less important is the inclusion in social cooperation of these large-scale units themselves, which have a great scientific, technical and production potential. It should ensure the more complete interaction of the workers, which, as is known, gives rise to a new social productive force. The strengthening of the organizational structure of social production influences its growth and the increase of efficiency precisely through the development of the cooperation of labor.

Associations express the present stage of the concentration of production, which is characterized not only by its quantitative increase and the increase of its level, but also by the emergence of a number of new forms which meet the requirements of scientific and technical progress and the fundamental combination of concentration with the specialization of production. Under the conditions of the changeover to the intensive type of economic growth society needs not any concentration, but only its effective forms, which ensure the efficient use of advanced technology. The

main factor of the high degree of economy of concentrated production consists first of all in this, and not only the saving on conditionally fixed expenses.

The creation of associations is called upon to promote the elimination of a number of contradictions which arise in the case of traditional forms of concentration. Such, for example, is the contradiction between the increase of the unit capacity (productivity) of machinery and equipment and the limited needs of the individual enterprises for the product manufactured with the use of these tools of labor. Moreover, the number of types of machines, the productivity of which meets the needs of not one, but a group of enterprises, is steadily increasing. The causes of the slow introduction of highly productive machines and the decrease of the effectiveness of their use are rooted in the indicated contradiction. The overcoming of this contradiction requires large-scale forms of the organization of production--multiplant complexes which are integrated internally by cooperative ties.

The following forms of the consolidation of production should be developed in associations: technological concentration--by the creation of large-scale shops which serve all the production units of the complex, instead of small, redundant subdivisions in each of them; the plant concentration of production of the same kind--by the increase of the level of specialization of the associated plants, the increase of the similarity of the technological processes at each of them and thereby the concentration and increase of the output of the corresponding types of products at a limited number of specialized plants.

The form of concentration, in which the production of similar intermediate components--parts, assemblies, blanks--and their aggregation, first of all assembling and other types of completing processes (for example, finishing), are concentrated in complexes of specialized plants which are interconnected by cooperation, should also be developed. Such a form of large-scale production provides a saving not only from the size of the plants and factories, but also from the size of the systems of cooperation which unite them. It makes it possible to realize the advantages of concentration in the area of technical progress, to prevent and eliminate occurrences of "overaccumulation" and the incomplete utilization of equipment of different types at large complex general-purpose enterprises. The concentration of production in the organizationally formed subsystems of cooperation, which embody the interplant division of labor with respect to the stages of processing, should be regarded as multiplant vertical concentration. It is represented by such associations as KamAZ, AvtoVAZ, AvtoZIL and ChTZ.

The development of associations influences the optimization of the level of plant concentration. The size of production units should meet the requirements of the organization of the subsystems of the cooperation of production, which is optimal for the national economy. This does not mean that the production needs of associations become the basis of the optimization of the size of plants and factories. National economic criteria remain the underlying principle. The point is that the composition and size of the capacities of associations should ensure the minimization of the national economic expenditures on the output and transportation of products. The fulfillment of this requirement is possible, if the capacities of the united production units exceed the needs of the corresponding associations and provide "outside" consumers with products.

At present the advantages of associations in the area of the concentration and specialization of production are still being inadequately put into practice. The majority of these links are represented by complex general-purpose plants which are poorly interconnected by cooperation. In particular, the fact that about 42 percent of the united plants and factories maintain managerial and legal independence, including 75 percent in the associations of the chemical industry, machine building for animal husbandry and construction and road machine building and approximately 82 percent in the associations of heavy and transport machine building, power machine building and machine tool building, attests to the predominance of such associations. Such a management structure is decidedly a result of the fact that in a significant portion of the associations an itemwise closed production cycle of the final product, which is sold to consumers, is characteristic of the production units and enterprises.

AvtoVAZ, which includes six plants which are almost not interconnected by cooperation, retain an itemwise closed production structure and have, as before the creation of the association, independent balance sheets, can serve as an example of such associations. The centralization alone of a number of administrative functions and financial funds could not yield and did not yield real advantages. Another similar example is the Zakarpatskaya Oblast Sewing Association. Factories which are located in this oblast and have a different specialization belong to it. Such a composition of the association did not make it possible to develop the specialization of production, which, however, would have been possible with the creation of a complex on the basis of similar sewing factories of both Zakarpatskaya and neighboring oblasts. Now the united enterprises do not have cooperation ties at all.

The management of the processes of the organization of production in associations requires the use of specific measuring tools. The characterization of the development of these complexes only by means of the indicator of their proportion in the total sectorial production volume should be recognized as inadequate. This indicator expresses the movement not so much of the production as of the managerial structure of the sector (as a result of the creation of new associations, the change of the subordination of the plants and factories belonging to them and so on) and most often does not depend on the shifts in internal cooperation. A system of analytical indicators, which reflect the development of the production ties of the association with other links of industry, the ties within the association and the ties of each of its production units, is necessary.

An essential advantage of the improvement of production on the basis of the creation of associations consists in the fact that a certain group of transformations can be made without the attraction of large resources, on an intensive basis, by the more complete utilization of the available factors of production. In other words, large-scale complexes increase the opportunities to use not only methods of intensification, which involve additional capital investments, but also methods which do not require considerable capital outlays, but consist in the better use of the available means of labor. A source of the additional impact obtained here is the intensification of the division of labor, which is achieved by the regrouping of equipment and the creation of specialized subdivisions, the redistribution of the products list among plants and the concentration of the output of the corresponding items at those of them where the production cost is least (with the minimum aggregate outlays).

The economy obtained is the result of the realization of the advantages inherent in the association. Therefore the effectiveness of its creation, as well as its best variant should be determined on the basis of the maximum impact, which is expressed by the difference of the adjusted expenditures on the condition of the autonomous status of the enterprises and on the condition of their inclusion in the association.

The experience of the work of associations provides many examples of the receipt of a considerable impact without major capital investments, owing to the improvement of the organization of production, and first of all the specialization of plants and shops. Thus, at the Zaporozhtransformator Association the concentration of the production of assemblies, parts and unfinished work pieces, the change of the layout of the subdivisions, the redistribution of equipment and the centralization of administrative services made it possible to free more than 16,000 m² of production capacities, to save the labor of 570 workers and to set up a new works of special transformer equipment with a volume of output of more than 10 million rubles a year. As a result of subsequent growth this works acquired sectorial importance.

At the Kargormash Association the improvement of the organization of production made it possible to increase the production volume by 52 percent and labor productivity by one-third. The average annual amount of capital investments was only 330,000 rubles. At the Bashneftekhimzavody Association during the Ninth Five-Year Plan and four years of the 10th Five-Year Plan an increase of the capacities, which is equivalent to a large-scale petrochemical combine with an annual production volume of 135 million rubles, was achieved without significant capital investments by means of organizational and technical measures--the intensification of technological processes, the modernization of a portion of the units, the renovation of installations and the updating of the equipment.

However, at the majority of associations the proportion of the impact from the specialization and concentration of production is small. Frequently it is less than as a result of other factors. At the associations of light industry the saving from the improvement of the organization of production was only 41 percent of the total impact obtained as a result of their creation. In a number of sectors the most significant saving is achieved as a result of the reduction of the administrative staff. Such a structure of the impact reflects the limited scale of the measures in the area of the organization of production and signifies the incomplete utilization of the main advantages inherent in these complexes.

/The production structure of associations should meet the requirements of the efficient social organization of the production process as a whole/ **[in boldface]**. From this point of view it is very important /to prevent the occurrence in them of a structure which is oriented toward complete self-sufficiency in products of various types and includes subdivisions which have not achieved the optimum size/ **[in boldface]**.

The requirement of the assurance of a national economic approach and the subordination of local decisions to the interests and needs of the development of social production is of fundamental importance. It is impossible not to take into account the fact that the group combination of enterprises, while conducive to an increase of the level of the organization of production, does not always guarantee its

optimization and can lead to occurrences of irrational self-sufficiency. Their danger is especially great in associations with a small number of production units.⁴

In such complexes great difficulties arise in putting into practice the sectorial criteria of the concentration and specialization of production and the national economic criteria which govern them, for their size limits the optimum consolidation and impedes the overcoming of irrational self-sufficiency in various types of products.

Such a situation can be shown using the example of the production of cast blanks. Whereas at the largest associations the conditions exist for the creation of highly concentrated foundries (at the KAMAZ Association their capacity is 560,000 tons, AvtoZIL--more than 300,000 tons, AvtoGAZ--nearly 180,000 tons), at the majority of machine building associations there are no such capacities due to the limited needs. Even a threefold increase of the capacities of the majority of existing shops and plants of pig iron and steel casting, forge work and stampings will not ensure the use of highly productive equipment and the achievement of the technical and economic indicators characteristic of medium-sized works.

It is not by chance that the processes of automation at the overwhelming majority of associations do not affect the manufacture of a given product. Therefore, the creation of associations does not eliminate the need to have adequately powerful and technically equipped billet mills of series and large-series casting with regional service zones. Within the majority of consumer associations in the future it is advisable to maintain the production of complicated custom casts with a volume of 8,000-15,000 tons a year and small-series casts with a volume of 30,000-40,000 tons a year. The presence at these complexes of small billet subdivisions, which do not have the opportunity to use highly productive equipment, would mean the temporary shutdown of a works which has not achieved the optimum size, that is, the inadequate level of its socialization.

At present instances of irrational self-sufficiency are observed at not only many small, but also large associations. An increase of the number of subdivisions of various types is being noted at some of them. It gives warning of /the spontaneous formation of the production staff and the system of cooperation without the optimizing influence of the center and often in violation of the requirements of the rational structure of intrasectorial ties/ in boldface.

For the purposes of overcoming and preventing such trends it is important to ensure the planned character and substantiation of the creation of new production units based on the fact that the size of both the associations themselves and the subdivisions should be optimal. The production capacities of the latter cannot have less than the so-called minimum permissible size, that is, a size which ensures the specific adjusted expenditures at a level not higher than the average sectorial specific adjusted expenditures.

In light of what has been stated it is impossible to recognize as sound the assumption, which is advanced at times in the literature as a general rule, of the need for the close connection of the production capacities of the united plants, which manufacture components of items and produce finished products (assembly, synthesizing, finishing plants). The productivity of many types of modern equipment exceeds

the needs of 3-5 plants belonging to associations, as a result of which the achievement of appreciable advances in the specialization of production requires a broader framework of cooperation. Therefore, the tasks of socialization may require the formation of associations as unclosed, open complexes which include subdivisions with a broad--regional, sectorial, national economic--marketing zone.

The increase of the economic efficiency of associations is being checked to a considerable extent by shortcomings in the organization of production of the corresponding sectors. Instances of despecialization, the irrational expansion of the list of products being produced, the tendency for self-sufficiency in products of various types and for the curtailment of cooperation processes are observed at the enterprises of some of them. In a number of sectors, primarily with the custom and small-series types of production (for example, in chemical and petroleum machine building) the work in the area of specialization stops at individual measures on the development of its item-by-item form. The highest forms (part-by-part, assembly, technological) are being adopted on an extremely limited scale. Under such conditions a great production efficiency at associations can be achieved not only by local transformations within each of them, but first of all on the basis of the improvement of the organization of production, the forms of its concentration, specialization, cooperation and combination on the scale of the corresponding sectors as a whole.

The achievement of appreciable improvements in this area requires /a substantial increase of the manageability of the processes of organizational development/ in boldface in order to ensure its continuity, to increase the planned character and to eliminate the conditions for the occurrence of instances of the fragmentation, poor concentration and despecialization of production.

At present organizational and production measures, including those connected with the formation of associations, are not called for in the sectorial plans and are not coordinated with the development of the organization of production in the sectors and in industry as a whole. This is one of the causes for retention by some of the united enterprises of the former organizational level.

The general plans of the management of industrial sectors perform an important role in the development of the economic structure and mechanism of management in the sectors. But such a form of centralized planned management reflects the needs and conditions primarily of the initial creation of associations. The present change-over from the "founding" stage to the qualitative development of these units requires, in our opinion, the supplementing of this planning form with new ones. It is expedient for the means of developing associations to be determined when planning the social organization of production.

However, the established method and practice of planning the organization of production cannot be recognized as satisfactory. Thus, long-range plans of specialization were not used. A limited group of assignments on the increase of specialized capacities and for a narrow list of items is included in the five-year and annual plans. The redistribution of the list of products being produced among enterprises, associations and sectors and the concentration of the production of the corresponding items at the plants of specialized associations and enterprises are not being planned consistently enough. Various aspects of the organization of production are

provided for in different sections of the state and sectorial plans. At the same time the uniform planning of the entire set of processes is not being completely ensured, it is divided.

In our opinion, the introduction of a special consolidated section of the development of the organization of production in the five-year plans of the increase of the technical level of sectors seems necessary. The content of this section is called upon to meet the following requirements:

the completeness of the planning of the entire group of measures in the area of the concentration, specialization, cooperation and combination of production, including those connected with the creation of production associations;

the backing of the operation on the development of the organization of production with the necessary resources--specialized technological equipment, construction and installation capacities, financial assets. At present the capital investments for the indicated purposes often are allocated from case to case--in connection with the implementation of one measure or another on the increase of production, the assimilation of a new product and so forth. It is important to replace this practice with the planned allocation of resources;

the planning of the economic impact from the implementation of measures in the area of organizational development, the close coordination of the assignments on the economic indicators of the activity of sectors, industrial and production associations and enterprises with this impact.

At present a number of technical and economic indicators (the proportions of the main, primary output and the output of centralized production, the number of enterprises and shops producing the given type of items and so forth) are used for the planning of specialization, cooperation and combination. As for the indicators of the economic impact from the measures being implemented, they are only of importance for estimation, which substantially decreases the responsibility of the economic units and lessens the practicability of the assignments. Therefore, in the indicated section of the plans it is important to specify the specific economic result which is subject to consideration when planning the directive indicators of the net (standard) output, labor productivity, the profit, in a number of instances the production cost and others.

It is expedient, in our opinion, to include in the consolidated sections of the development of the organization of production programs on sets of measures, which are called upon to ensure the coordinated, combined performance of operations and their complete and timely backing with resources and to define concretely the assignments with respect to the performers, stages and deadlines. Important components of the program are the technical and economic indicators of production and output, which should be achieved as a result of its implementation, and the indicators of the increase of economic efficiency. These indicators, no less than the necessary resources should be confirmed for the fulfillment of the program as a whole with a breakdown by years.

Finally, the increase of the planned nature requires the drafting for each newly formed and operating association of a plan of the development of the organization

of production (within the five-year plan), as well as a plan of creation and development. The plans specify the measures on the improvement of the organization of production (basic, ancillary) on the basis of complete mechanization and automation, its integration with science, on the organization of cost accounting and a management system, the social development of the collective, as well as the economic efficiency of the measures being outlined. The plans of the associations will be included in the basic materials for the drafting of the sectorial plans, the five-year and long-range plans of associations, as well as the construction and technical plans (the renovation and expansion of enterprises, their retooling, the creation of automated control systems).

The realization of the advantages characteristic of associations requires the strengthening of the material stimuli of the development of the organization of production. There should be grouped with the special measures necessary for this the setting of the prices for the components of the output, which are delivered under subcontracting arrangements on the basis of the expenses which arise in specialized production; the expansion of the extension of credit for measures on the development of the specialization and cooperation of production, including in excess of the plan of capital investments; the introduction of reporting which ensures the determination of the actual effectiveness of the indicated measures; the improvement of the material stimulation of the workers of design bureaus for the use of standard and standardized items.

The need of the improvement of the statistical record keeping of the processes of concentration and specialization is also appreciable. Thus, in our opinion, two units of accounting should be introduced in reporting: first, the primary production and technological unit--the plant, the factory, the mine, the pit and so on (which is carried on an independent balance sheet and is deprived of such a balance sheet) and, second, the cost accounting complex unit--the production association.

It also seems necessary to organize periodic reporting on the level of the specialization of production, which includes groupings of enterprises according to the level of specialization (50-70 percent, 71-85 percent, 86-100 percent) and the indicators of their activity. Finally, to determine the level of cooperation it is advisable to introduce permanent accounting of the internal turnover in production and industrial associations.

The improvement of the economic mechanism of the development of the organization of production will make it possible to increase manageability in this area and to realize the advantages of associations more completely.

FOOTNOTES

1. L. I. Brezhnev, "O dal'neyshem razvitií sel'skogo khozyaystva SSSR. Doklad na Plenum TsK KPSS 3 iyulya 1978 goda" [On the Further Development of USSR Agriculture. Report at the CPSU Central Committee Plenum on 3 July 1978], Moscow, Politizdat, 1978, p 36.
2. "Materialy XXV s"yezda KPSS" [Materials of the 25th CPSU Congress], Moscow, Politizdat, 1978, p 131.

3. L. I. Brezhnev, "Voprosy upravleniya ekonomikoy razvitogo sotsialisticheskogo obshchestva" [Problems of Managing the Economy of the Mature Socialist Society], Moscow, Politizdat, 1976, p 512.
4. Such complexes are very widespread. The following composition of associations is typical: two units in the gas and chemical industry, heavy, power and petrochemical machine building, machine tool building and instrument making, two or three units in tractor and agricultural machine building, three units in ferrous and nonferrous metallurgy, the electrical equipment industry, machine building for light and food industry.

COPYRIGHT: Izdatel'stvo "Ekonomika", "Planovoye khozyaystvo", 1980

7807

CSO: 1820

REGIONAL DEVELOPMENT

TATAR ASSR GOSPLAN CHAIRMAN DISCUSSES DEVELOPMENT

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 12, Dec 80 pp 89-93

Article by V. Yermakov, chairman of the Tatar ASSR State Planning Committee:
"The Influence of Local Planning Bodies on the Formation of Plans for Economic and Social Development"

Text The USSR Constitution and the RSFSR Constitution legislatively embody the functions of the Union and autonomous republics and of kray and oblast soviets of people's deputies in ensuring an overall economic and social development of their territory and in implementing the coordination and control over the activity of enterprises and institutions of superior subordination in the area of land use, protection of nature, construction, utilization of labor resources, production of consumer goods and social-cultural, domestic and other services for the public.

As noted in the USSR Constitution, soviets of people's deputies direct all the branches of state, economic and social-cultural development directly and through the bodies established by them. The law of the basic powers of kray and oblast soviets of people's deputies and of soviets of people's deputies of autonomous oblasts and autonomous okrugs adopted at the June session of the USSR Supreme Soviet has broadened the competence of kray and oblast soviets of people's deputies. In particular, soviets of people's deputies have been granted broader powers in the area of planning and material and technical supply. They have been granted the right to approve current and long-term plans for the economic and social development of a kray and oblast and to take measures to improve planning work, to rationally combine territorial and branch development and to ensure a balanced growth of the economy of a kray and oblast. Soviets of people's deputies have also been granted the right to solve problems concerning the siting, development and specialization of enterprises, organizations and institutions on a territory. Despite a number of implemented measures there are still many problems relative to the combination of territorial and branch development requiring their solution.

With the modern scale of production and under the conditions of enhancement of the role of intensive methods of economic management it is extremely important to ensure in every autonomous republic, oblast and kray economically efficient production relations among enterprises, a rational siting of production facilities and their coordinated development within the structure of industrial complexes, an efficient organization of capital construction, transport, thermal power supply and other general economic-purpose branches, a full utilization of labor resources and the protection of the natural environment.

Using as an example the Tatar ASSR, it is possible to see how the problems of an overall development of the autonomous republic, which observed its 60th anniversary recently, are solved. In 1980 in the volume of output the Tatar ASSR industry exceeded the level of the Kazan' Guberniya in 1913 750-fold and, as compared with 1940, 60-fold. At present the Tatar ASSR, essentially, has all the branches of modern production and withstands a comparison with many industrially developed countries. Its enterprises manufacture commercial jet airplanes and helicopters and produce varied industrial equipment, the most delicate measuring instruments and modern chemical articles. Various items made in Tataria are exported to 76 foreign countries. All this is produced in a republic whose main articles before the revolution were candles, soap and baskets.

Discussing the present economic potential of the Tatar ASSR, suffice it to mention several indicators attained by it during the 9th and 10th five-year plans. During those 10 years alone its national economy will receive about 20 billion rubles of capital investments, which is almost twice as much as the amount invested during all the previous years of Soviet rule. During this period the republic's petroleum workers will give the homeland about 1 billion tons of "black gold."

A total of 130 associations and enterprises of Union subordination, 215 of republic (RSFSR) subordination and 59 of local (double) subordination now operate in the republic. Construction is carried out by 434 construction organizations. The republic has 802 kolkhozes and sovkhozes, 62 scientific research and planning-design organizations and thousands of enterprises and organizations connected with services for the public. The output of the Kama Motor Vehicle Plant, which manufactures the most modern trucks, is well known.

The development of the republic's multispecialization economy requires a constant coordination of the activity of many organizations and a closer contact of local bodies with the ministries and departments under whose authority associations, enterprises and organizations located on the republic's territory are. Under the branch principle of national economic management it is necessary to ensure a more coordinated participation of ministries and departments in systematic economic development on the territory of economic regions, autonomous republics, krais and oblasts. Territorial planning should contribute to a better balance of the needs of all branches on a territory with territorial resources.

Marked shifts in the combination of branch and territorial planning have now been attained in a number of branches in the Tatar ASSR. This applies to agriculture, forestry, trade, domestic services for the public, public health, education, culture, housing and municipal services and other branches for which local soviets develop drafts of current and long-term plans and approve them. Thus, speaking of the development of a plan's territorial aspect, it is necessary to stress that right now local planning bodies are developing territorial plans for most branches with the exception of industry, capital construction, transport, environmental protection and so forth.

Preplan studies of scientific research and planning organizations, that is, diagrams for the long-term development and siting of productive forces and technical and economic reports on the long-term development of a republic, kray and oblast,

are of great importance for the coordination of the branch and territorial principles of planning. For example, the Moscow State Institute for the Planning of Cities (Giprogor) developed a regional planning diagram for the Tatar ASSR, which presented the main trends in the republic's economic development until the year 2000. When working out the indicated diagram, the institute coordinated the development of industrial branches on the territory of the Tatar ASSR with the appropriate USSR and RSFSR ministries and departments and the divisions of USSR and RSFSR state planning committees and then submitted it to the Tatar ASSR Council of Ministers for approval. Thus, the problems of combination of branch and territorial planning were reflected in the indicated diagram. Work on drawing up rayon plans of cities and of regions inside the republic is organized according to the same principle.

The coordination of the distribution of new enterprises and of the reconstruction and expansion of existing enterprises with local bodies plays a positive role in the matter of a correct combination of territorial and branch planning. The Interdepartmental Commission for the Siting of Industrial Enterprises on the Republic's Territory was established under the Tatar ASSR Council of Ministers 5 years ago. Practice has shown that the established procedure of coordination of the siting of enterprises makes it possible to make valid decisions on the selection of the siting place, ensuring the combination of the interests of a branch and the development of a given territory, and to take into account the specialization of the republic's economy, the existence of the appropriate natural and economic conditions and the need for the solution of complex social problems. Almost 60 percent of the new enterprises and capacities proposed by the commission for construction are sited in small and medium-size cities. All the commission's decisions are of an overall nature. A significant share of the funds is to be assigned for nonproduction construction, which provides housing and social-cultural facilities within the existing standards for workers and their families, as well as for the implementation of environmental protection measures. However, both regional planning diagrams and the conclusions of the Interdepartmental Commission on the Siting of New Enterprises cannot be the main basis for ensuring the combination of territorial and branch planning. These documents are not directive and mandatory for execution by USSR and RSFSR ministries and departments.

At present local planning bodies, essentially, do not sufficiently reflect the development of the economy on a given territory in their plans. They work out plans for the development of the economy subordinate to the Council of Ministers of an autonomous republic and to the oblast (kray) executive committee, that is, economy of local subordination, and submit them to Soviet bodies for approval. With regard to enterprises of Union, Union-republic and republic subordination, their development is reflected only in the proposals of local planning bodies, which are introduced into the plan during the development of overall plans for individual problems, or are simply summed up in the consolidated territorial plan. As practice indicates, in many cases USSR and RSFSR ministries and departments themselves change the periods of construction, expansion and reconstruction of some enterprises and do not promptly allocate the necessary capital investments for the construction of facilities not for production purposes and of facilities for nature protection. As a result, there are certain disproportions in the development of the republic's economy.

It is necessary to establish a planning procedure in which local planning bodies could have a more significant effect on the plans of associations and enterprises of Union, Union-republic and republic subordination at all the stages of planning (both during the preparation of draft plans and during the elaboration of plans on the basis of the principal indicators centrally approved for enterprises). USSR and RSFSR ministries and departments, examining the draft plans submitted by the enterprises and organizations subordinate to them, at that time should know and take into account in their decisions the opinion of local planning bodies and the latter should know to what extent their proposals have been taken into account by ministries and departments during the preparation of the draft plans submitted to the Republic State Planning Committee and to the USSR State Planning Committee for consideration. This requires that ministries and departments advise local planning bodies and subordinate enterprises located on the territory of a given autonomous republic and know of the draft plans adopted by them. Thus, local planning bodies will be able to submit their proposals to USSR and RSFSR state planning committees for consideration.

The decree dated 12 July 1979 of the CPSU Central Committee and the USSR Council of Ministers "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Efficiency and Work Quality" envisages strengthening the influence of territorial state administration bodies on the formation of the indicators of the overall plan for a region's social and economic development, especially for the most important problems; for example, regional utilization of manpower and natural resources and development of the service sphere, housing and municipal facilities, production of consumer goods and so forth.

The problem of labor resources needs a solution from interbranch and territorial standpoints. Up to now the balance of labor resources has been compiled largely in a formal manner, on the basis of consolidated statistical data throughout the republic without an examination of their utilization at every enterprise and organization. Meanwhile, the interconnection of economic and social development is effected through the balance of labor resources. The nonoverall approach to the utilization of labor resources has serious negative consequences.

The balance of labor resources in the Tatar ASSR during the next five-year plans will be strained. Suffice it to say that their increase, as compared with the 9th and 10th five-year plans, will be reduced considerably. Whereas during the Eighth and Ninth five-year plans the basic increase in labor resources in cities was at the expense of rural areas, now this source has been exhausted and rural areas are also beginning to feel a shortage of labor resources. To be sure, the determination in accordance with the decree dated 12 July 1979 of the CPSU Central Committee and the USSR Council of Ministers of the limits on the number of workers will be an efficient mechanism of regulation of these complex processes. However, this imposition of limits cannot completely eliminate the shortcomings in these matters. Often the following process takes place. Many ministries and departments and enterprise managers try to constantly increase the number of work places and do not pay sufficient attention to problems of overall production mechanization, elimination of big work time losses and reduction in personnel turnover.

Proposals for the further construction of production facilities and the establishment of ever newer enterprises and scientific research and planning-design organizations are made without taking into consideration the situation with labor resources. For example, the draft plans of the republic's enterprises for 1980 envisage a number of workers exceeding labor resources by more than 30,000 people. There was also a big increase in the number of workers in the draft plans of enterprises subordinate to the USSR Ministry of Power and Electrification, the USSR Ministry of Petroleum Refining and Petrochemical Industry, the USSR Ministry of Construction of Petroleum and Gas Industry Enterprises, the USSR Ministry of Medical Industry and so forth. All this indicates that it is necessary to legislatively establish a procedure in which the plans for the number of workers at all enterprises and organizations (regardless of their subordination) must mandatorily be coordinated with local soviets through their planning bodies.

The problems connected with the construction of housing, municipal service facilities and facilities for social and cultural-general purposes are no less urgent and important. Owing to the daily concern of the party and the government, housing, municipal and cultural-general development is carried out on a wide scale in the Tatar ASSR. According to the economic development plan in the current five-year plan about 20 percent of the total volume of capital investments is allocated for nonproduction construction. Dwelling houses of a total area of 8.5 million square meters, general educational schools for 120,000 students, children's preschool institutions for 48,000 children, stores with a trade area of 107,000 square meters, public dining enterprises for 65,000 seats and many other facilities for social and cultural-general purposes will be commissioned in the republic during the current five-year plan alone. To be sure, many of the republic's associations and enterprises take part in the construction of the indicated facilities. However, as an analysis shows, the capital investments allocated to associations and enterprises for housing and civil construction are extremely non-equivalent. This has led to the fact that at some associations and enterprises the provision of collectives of workers and their families with housing and other facilities greatly lags behind existing standards. Such a situation has a negative effect on the retention of personnel and leads to a big labor turnover.

In the sphere of services for the population of cities and workers' settlements there are large facilities whose construction is mandatorily carried out by local soviets with a quota participation of USSR and RSFSR ministries and departments. The prompt commissioning of these facilities depends on the correct solution of construction problems by all the ministries and departments concerned. The construction in Kazan' of water and sewage installations slated for 1976-1982 (estimated cost, 90 million rubles) with a quota participation of the city enterprises can be cited as an example. Of all the ministries and departments allocating funds for this construction in 1976-1979 only the USSR Ministry of Chemical Industry gave 5.2 million out of the 6.5 million rubles determined by the quota participation, whereas some USSR ministries, for example, the Ministry of Automotive Industry and the Ministry of Instrument Making, Automation Equipment and Control Systems allocated only 10 to 12 percent of the volumes of funds imposed on them and the Ministry of Petroleum Refining and Petrochemical Industry, the Ministry of Chemical and Petroleum Machine Building and the RSFSR Ministry of Construction Materials Industry and others did not at all make their contribution

to construction. As a result, the commissioning of new water and sewage sections in Kazan' is postponed to later dates, which has a negative effect on all the branches of the city economy. On the basis of the above-stated it is clear that it is necessary to broaden the rights of local soviets in matters concerning the planning of the construction of housing and facilities for social and cultural-general purposes.

In our opinion, the funds for the development of the social infrastructure and the basic branches of the service sphere, essentially, should be allocated along the line of territorial administration bodies. A procedure should be established in which USSR and RSFSR ministries and departments would be obligated to coordinate, not to report, their draft plans for the construction of housing and other facilities for social and cultural-general purposes with territorial administration bodies.

Important tasks in matters concerning the planning and control of the output of consumer goods were entrusted to local planning bodies, which should develop the plans for the production of these goods for all enterprises located on a given territory and submit them to local Soviet bodies for approval.

In accordance with the decisions of directive bodies in the republic considerable attention is paid to problems concerning the production of consumer and children's assortment goods. Every year the republic's State Planning Committee with the participation of trade organizations and bases examines the draft plans for the production of goods for the people and searches for potentials and possibilities for increasing the output of these goods and for renewing their assortment. As a result, proposals to establish more stepped-up plans for a number of enterprises and associations are adopted and sent to superior ministries and departments. On the basis of the draft plans for 1978-1979 alone the Tatar ASSR Council of Ministers sent proposals to 16 Union and republic ministries to increase consumer goods by 40 million rubles. Most ministries and departments viewed these proposals favorably and approved higher indicators than envisaged in the drafts for subordinate enterprises.

The additional assignments for the output of goods for the population and for the mastering of new items annually set by the Tatar ASSR Council of Ministers are of great importance for an increase in the output of these goods. Additional assignments for the output of consumer goods worth 33 million rubles were set and 510 new articles were mastered during 4 years of the current five-year plan alone. Most associations and enterprises fulfilled these assignments.

At present more than 300 industrial associations and enterprises in the republic produce consumer goods. The collectives of most associations and enterprises ensure the fulfillment of the plans set. In 1979 the republic's industry produced consumer goods worth 1.9 billion rubles and the growth of their production, as compared with 1975, totaled 237 million rubles. The production of goods for cultural-general and economic purposes increased by 43 percent as compared with 1975. More than 3,000 new types of articles, styles and models were mastered and introduced into production during the current five-year plan. The State Badge of Quality was awarded to more than 500 types of consumer goods. This made it possible to provide the trade network with goods necessary for the population. During 4 years of the current five-year plan the republic's population purchased industrial

goods and foodstuffs worth almost 3 billion rubles more than during the corresponding period of the Ninth Five-Year Plan. As yet, however, the demand for consumer goods is not fully met. It is also necessary to expand and improve them.

In his speech at the November (1979) Plenum of the CPSU Central Committee, L. I. Brezhnev, general secretary of the CPSU Central Committee, chairman of the Presidium of the USSR Supreme Soviet, noted that "the volume of production of consumer goods is, of course, growing. However, the requirements for quality and assortment clearly outstrip what is offered by industry."¹

To accomplish the tasks connected with an increase in the production of goods for the population, it is first of all necessary to make use of resources. The republic has considerable resources. About 60 enterprises of Union, Union-republic and republic subordination do not produce goods for the population, at a number of large associations and enterprises their output comprises 1 to 2 percent of the total production volume, some enterprises do not fulfill the plans for the production of these goods in an assortment and there are many defects in quality. To be sure, the decision that the production of goods for the population will be approved by local Soviet bodies for all enterprises irrespective of their subordination will make it possible to better search for existing resources for an increase in the production of these goods.

In our opinion, a number of legal and organizational problems should be solved. In particular, we must see to it that USSR and RSFSR ministries and departments mandatorily coordinate the plans for the production of goods for the population with local planning bodies. Furthermore, USSR and RSFSR ministries and departments must be prohibited from making changes in the plans for the production of these goods and from removing their individual types from production without coordination with local state administration bodies.

In order to improve the planning and control of the course of fulfillment of the plans for the production of consumer goods, in our opinion, it is necessary to examine the problems of subordination of the enterprises producing these goods. In the republic at present 39 light and food industry associations and enterprises producing more than 60 percent of all the consumer goods produced in the republic are directly subordinate to Union and republic ministries and departments, that is, they are separated on the republic's territory and do not have an appropriate body coordinating their activity. It is advisable that all enterprises producing consumer goods be doubly subordinated, that is, to a superior ministry and to local soviets. For this it is necessary to solve the problem of inclusion of food industry enterprises of Union-republic and republic subordination in the Tatar ASSR Ministry of Food Industry and to reestablish the previously existing Tatar ASSR Ministry of Light Industry for the unification and coordination of the work of all the enterprises of this branch.

In the republic there are many enterprises and organizations, which produce the same types of products and establish small "natural" facilities for servicing their own production and their own workers.

1. L. I. Brezhnev, "Rech' na Plenum Tsentral'nogo Komiteta KPSS 27 Noyabrya 1979 Goda" [Speech at the Plenum of the CPSU Central Committee on 27 November 1979]. Moscow, Politizdat, 1979, p 20.

The questions of improving the combination of branch and territorial planning encompass a variety of additional problems and aspects, that is, the balance of the volumes of capital investments and capacities of contracting construction organizations, production of local building materials, fuel balances, balances of the population's monetary income and expenditure, consolidated plans for the protection of nature and so forth. Problems of specialization and cooperation in the republic are also urgent.

The issues enumerated in this article urgently require the most rapid solution of problems connected with strengthening local planning bodies. Extremely necessary divisions, which should deal with problems connected with territorial planning, are now absent in the structures of state planning committees of autonomous republics and oblast planning commissions. For example, in the Tatar ASSR State Planning Committee there are no divisions of labor and wages, of housing and municipal facilities, of consumer goods, of public health, of education and culture and of rural construction. Territorial planning divisions need to be strengthened considerably. The posts of chief specialists in key industrial branches should be introduced into them.

The tasks of a rational combination of branch and territorial principles should be fully reflected in the state plans for the economic and social development of regions and cities. For this the planning bodies of regions and cities should also be strengthened. Owing to their imperfect structure and limited staff, they are now unable to solve these problems. The most rapid solution of all legal and organizational problems connected with an improvement in territorial planning will enable local planning bodies to increase the efficiency of plans and to intensify the effectiveness of control over their fulfillment.

COPYRIGHT: Izdatel'stvo "Ekonomika", "Planovoye khozyaystvo", 1980

11,439
CSO: 1820

END

END OF

FICHE

DATE FILMED

3 / 12 / 81